

Message Text

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ACTION EA-14

INFO OCT-01 CIAE-00 PM-09 H-02 INR-09 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-14 USIA-12 T-03 AID-20 IGA-02

OMB-01 EUR-25 MC-02 TRSE-00 ADP-00 RSR-01 EB-11 /144 W
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R 130630 Z MAR 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5952

INFO DOD WASHDC

JCS WASHDC

NSC WASHDC

CINCPAC CP SMITH HI

S E C R E T SECTION 1 OF 2 JAKARTA 3017

DEPT ATTENTION EA MARSHALL GREEN

NSC ATTENTION JOHN HOLDRIDGE

CINCPAC FOR POLAD

FROM AMBASSADOR GALBRAITH

E. O. 11652: GDS

TAGS: MASS, ID

SUBJECT: INDONESIA'S MILITARY NEEDS

REFS: A) STATE 038806

(B) ASD: ISA (SA) DSAA 9738 061723 Z MAR 73

1. SUMMARY- INTRODUCTION: I WISH TO DRAW ATTENTION OF
CONCERNED WASHINGTON AGENCIES TO SERIOUSNESS OF EXISTING
SITUATION WHEREIN INDONESIAN LEADERS ARE EXPRESSING TO
US DISSATISFACTION AND CONCERNS OVER LACK OF MILITARY
EQUIPMENT, AND DEEPLY FELT NEED FOR ADDITIONAL MILITARY
ASSISTANCE AT TIME WHEN FY 73 MAP HAS BEEN CUT FAR BELOW
LEVEL FOR WHICH, IN THEIR EYES, THERE IS HIGH- LEVEL U. S.
" COMMITMENT"; AND TO URGE THAT ATTENTION BE GIVEN TO
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IDEAS DEVELOPED BELOW AS TO HOW THIS SITUATION MAY BE ALLEVIATED. END SUMMARY- INTRODUCTION

2. FOR PAST SEVERAL MONTHS, I HAVE BEEN SENSING GROWING FEELING WITHIN GOI -- PARTICULARLY MILITARY -- OF THEIR SENSE OF URGENCY IN DEVELOPING INDONESIAN MILITARY FORCES, THEIR CONVICTION THAT THEIR NEED FOR US ASSISTANCE IS EVEN GREATER THAN IN PAST, AND THEIR GROWING FEELING OF FRUSTRATION AT COURSE OF MAP. WHILE DIFFICULT TO PIN DOWN WHAT LIES AT ROOT OF ALL OF THIS FEELING, IT WOULD SEEM TO ARISE FROM COMBINATION OF FURTHER DETERIORATION OF THEIR DWINDLING STOCKS SOVIET SOURCE MILITARY EQUIPMENT, DOUBTS ABOUT FUTURE U. S. ROLE IN ASIA, SKEPTICISM RE LONG- TERM DURABILITY OF VIET NAM SETTLEMENT, FEAR THAT SWEET WORDS OF DETENTE SPOKEN BY PEKING (AND TO LESSER EXTENT BY MOSCOW AND HANOI) WILL NOT BE MATCHED BY ACTIONS IN THESE COUNTRIES' RELATIONS WITH SOUTHEAST ASIA, AND THEIR GENERAL AWARENESS OF STATE OF MAP SUPPORT.

3. THIS FEELING WAS FORMALIZED FOR FIRST TIME DURING VICE PRESIDENT' S VISIT IN EARLY FEBRUARY WHEN GENERAL PANGGABEAN MADE PRESENTATION WHICH NOT ONLY MADE ELOQUENT APPEAL FOR FULL REALIZATION OF THE PLANNED MAP FOR FY 72 AND 73, BUT ALSO MADE A SPECIFIC APPEAL FOR A) NAVAL CRAFT (DE AND PATROL BOAT TYPES), B) VEHICLES FOR THE POLICE, C) AN EARLY WARNING SYSTEM FOR SEA DEFENSE, AND D) A SMALL ARMS MANUFACTURING FACILITY -- ALL OF WHICH TO BE ADDITIONAL TO THE FULL FY 72 AND 73 PROGRAMS.

4. WHILE THIS HAS BEEN HAPPENING HERE, DEVELOPMENTS WITHIN USG ARE MOVING IN OPPOSITE DIRECTION. REF A MADE IT CLEAR THAT GLOBAL TOTAL FOR FY 73 MAP WILL REMAIN AT EXISTING CRA LEVEL WHILE REF B STATED THAT \$18 MILLION (INCLUDING SUPPLY OPERATIONS) " REPRESENTS TOTAL MAP FUNDING AVAILABLE FOR FY 73 AND THAT HANKAM MAY BE SO ADVISED." (WE HAVE NOT YET SO DONE, PENDING STATE/ DOD REACTION TO THIS TELEGRAM.) WHILE INDONESIANS UNDOUBTEDLY ARE FULLY AWARE OF CRA LEVEL, THEY ALSO KNOW THAT COUNTRY- BY- COUNTRY BREAKDOWN IS AN EXECUTIVE DECISION MADE AFTER WEIGHING COMPETING CLAIMS ON AVAILABLE FUNDS. SINCE INDONESIANS BELIEVE THEY HAVE A HIGH LEVEL USG COMMITMENT TO A \$30
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MILLION PROGRAM FOR FY 73 AND FEEL THAT THEIR CASE IS

REGARDED BY THE USG AS AN ESPECIALLY MERITORIOUS ONE
(IN LIGHT OF ICCS PARTICIPATION AND OTHER EFFORTS
TO STRENGTHEN SELF- DEFENSE CAPACITIES AND COOPERATION IN
SOUTHEAST ASIA), I FEAR THEY WILL BE SHOCKED TO LEARN
DEFINITELY THAT THEY HAVE SUFFERED A 40 PCT CUT (\$30
MILLION TO \$18 MILLION).

5. THUS WE HAVE A DICHOTOMY WHEREIN INDONESIANS DEEPLY
FEEL THEY NEED MORE MILITARY ASSISTANCE FROM US IN FORM
OF FULLY IMPLEMENTED MAP AS PLANNED AND ADDITIONAL ATTENTION
TO SPECIAL NEEDS AT A TIME WHEN WE ARE EFFECTING A DEEP
CUT IN FY 73 MAP. I AM GREATLY CONCERNED THAT THIS
SITUATION COULD IMPAIR OUR CREDIBILITY IN THE GOI'S EYES
AND LEAD TO SEVERE STRAINS IN OUR INCREASINGLY COOPERATIVE
RELATIONSHIP. ADDITIONALLY, COMBINATION OF SUCH SHARP
UNCOMPENSATED CUT IN EXPECTED MAP FUNDS AND GROWING SENSE
OF URGENCY RE MILITARY DEVELOPMENT COULD CAUSE THE GOI
TO ABANDON ITS POLICY OF LIMITING FUNDS FOR PURCHASES OF MILITARY
EQUIPMENT ABROAD -- A SITUATION WHICH WOULD HAVE ADVERSE
EFFECTS ON INDONESIA'S SO FAR COMMENDABLE ECONOMIC
DEVELOPMENT EFFORTS, ITS IMAGE WORLDWIDE, ITS STANDING
WITH THE IGGI, AND, NOT LEAST OF OUR WORRIES, ITS
REPUTATION WITH US CONGRESS.

6. I THEREFORE CONSIDER IT ESSENTIAL, AT SOME POINT IN
FUTURE, THAT I GO IN AT THE HIGHEST LEVELS OF THE GOI --
THE SAME ONES WHICH BELIEVE THEY HAVE A
" COMMITMENT" TO A \$30 MILLION MAP FOR FY 73 --
IN ORDER TO EXPLAIN THE NECESSITY FOR THE SEVERE CUT.
FURTHER, AND MORE IMPORTANTLY, I URGE THAT METHODS OF
AUGMENTING THE BASIC GRANT MAP WHICH ARE SUGGESTED IN PARAS
7 AND 9 BELOW BE GIVEN URGENT CONSIDERATION IN WASHINGTON
SO THAT, WHEN I GIVE THE INDONESIANS THE BAD NEWS ON
MAP LEVELS, I WILL BE IN A POSITION TO SUGGEST WAYS IN
WHICH, WORKING TOGETHER, WE CAN TRY TO MINIMIZE THE
ADVERSE EFFECTS OF THE CUT.

7. THE FOLLOWING METHODS OF ADDING TO THE REDUCED MAP
COME TO MIND:

A) INCREASE THE USE OF EDA. AT THE MOMENT WE ARE
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USING EDA TO ABOUT THE MAXIMUM, GIVEN THE PRESENT
GUIDELINES. BUT WE COULD DO MORE WITH AN INCREASED
EDA USAGE GUIDELINE IF THIS WERE COMBINED WITH A
HIGHER PRIORITY DESIGNATOR FOR INDONESIA. THIS WOULD
GIVE US A BETTER CHANCE OF OBTAINING THAT USABLE

EQUIPMENT SUITABLE FOR MAP INDONESIA WHICH IS PLACED ON
EDA LISTS IN LIMITED QUANTITIES.

B) INCREASE POSSIBILITY FOR INDONESIAN PURCHASES
OF US MILITARY EQUIPMENT WHICH COULD BE MADE AVAILABLE
AT REASONABLE (OR POSSIBLY CONCESSIONARY) PRICES (E. G., THE
RECENT PURCHASE OF A DE FOR \$147,500) AND,

C) CONSIDER WHETHER AND HOW USE OF FMS CREDITS AND/ OR
GUARANTIES MIGHT CONTRIBUTE TO MEETING SHORTFALL IN GRANT
MAP LEVELS.

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INFO OCT-01 ADP-00 CIAE-00 PM-09 H-02 INR-09 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SS-14 USIA-12 T-03 AID-20

IGA-02 OMB-01 EUR-25 MC-02 TRSE-00 EB-11 RSR-01 /144 W

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R 130630 Z MAR 73

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8. WE REALIZE THAT TURNING TO FMS WOULD BE A MAJOR STEP AND
THAT CONSIDERATION WOULD HAVE TO BE GIVEN INTER ALIA TO:

A) WHETHER STARTING FMS CREDIT FOR INDONESIA WOULD ADVERSELY
AFFECT CONGRESSIONAL SUPPORT FOR GRANT MAP TO INDONESIA.

B) REPAYMENT TERMS FOR FMS - A DEFENSE SECURITY ASSISTANCE
AGENCY PAMPHLET APPEARS TO INDICATE THAT REPAYMENT IS
EXPECTED IN 10 YEARS - THIS WOULD FALL CLEARLY IN THE
MEDIUM CREDIT ZONE WHERE INDONESIA HAS OBLIGATIONS TO THE IMF.

C) THE PROBLEM OF HOW INDONESIAN ECONOMIC AUTHORITIES, OTHER

IGGI COUNTRIES, AND THE CONGRESS WOULD VIEW OUR OFFERING
MEDIUM TERM CREDITS FOR MILITARY PURCHASES WHEN ECONOMIC AID
IS ON GRANT OF HIGHLY CONCESSIONAL TERMS.

9. ONE CLEAR WAY OF SOFTENING THE BLOW OF SHARPLY REDUCED FY 73
MAP AND SIGNALLING TO THE GOI THAT WE ARE DOING
WHAT WE CAN WOULD BE TO RESPOND FAVORABLY TO AT LEAST
SOME OF PANGGABEAN'S SPECIFIC REQUESTS (PARA 3 ABOVE).
(I FEEL IT IS NECESSARY TO MAKE SOME RESPONSE TO PANGGABEAN'S
FORMAL PRESENTATION AND REQUEST TO THE VICE PRESIDENT.) I
RECOMMEND FOLLOWING:

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A) NAVAL CRAFT. THE INDONESIANS WOULD LIKE, AND I
BELIEVE THEY SORELY NEED, A LARGER NUMBER OF PATROL
CRAFT. WHILE THEY CLEARLY HAVE A NEED FOR ADDITIONAL
CAPABILITY TO PATROL THE EXTENSIVE INDONESIAN WATERS,
QUESTIONS OF WHAT KIND OF VESSELS, AND INDONESIA'S
ABILITY TO OPERATE AND MAINTAIN THEM INEVITABLY ARISE.
I RECOMMEND THAT WE EXPLORE THE POSSIBILITY OF SELLING
ONE OR TWO OF THE REMAINING JOHN PERRY CLASS DES TO
INDONESIA (I UNDERSTAND THAT THE NAVY MAY BE PHASING
THIS CLASS OUT), ASSUMING WE CAN ASSURE THEIR
MAINTENANCE, EFFICIENT USE AND OPERATIONAL CAPABILITY.
AS REGARDS SMALLER PATROL BOATS, I WOULD RECOMMEND WE HOLD
OFF UNTIL WE SEE JUST WHAT FORM THE AUSTRALIAN PROGRAM
FINALLY TAKES IN THIS RESPECT.

B) VEHICLES FOR THE POLICE. THE INDONESIAN POLICE HAVE
LONG BEEN IN NEED OF VEHICLES, AND HAVE PRESSED HARD FOR
A GREATER SHARE OF MAP FUNDS. PANGGABEAN'S PRESENTATION
IS THE FIRST TIME, HOWEVER, THAT HANKAM HAS MADE A REQUEST
FOR GREATER DEGREE OF ASSISTANCE THAN THAT PRESENTLY
PROGRAMMED. WE BELIEVE ROLE OF INDONESIAN POLICE IN
MAINTAINING INTERNAL LAW AND ORDER AND SECURITY, AFFECTING
AMONG OTHER THINGS BURGEONING AMERICAN INVESTMENT COMMUNITY
HERE, MERITS OUR GIVING ATTENTION TO THIS REQUEST.
HOPEFULLY, WE COULD PROVIDE VEHICLES OUR OF EDA (PARTICULARLY
IF INDONESIA HAD A HIGHER PRIORITY).

C) EARLY WARNING SYSTEM FOR SEA DEFENSE. SINCE THIS NEEDS
GREATER STUDY AND DELINEATION, AND COULD BE A PROJECT
UNDER REGULAR MAP, I RECOMMEND WE RESPOND TO THE
INDONESIANS BY SUGGESTING A STUDY (POSSIBLY MAP- FINANCED)
OF THE PROJECT.

D) SMALL ARMS MANUFACTURING FACILITY. IT SEEMS CLEAR FROM
INFORMATION AVAILABLE TO US THAT THE INDONESIAN ARMED

FORCES INTEND TO REPLACE THEIR PINDAD SMALL ARMS MANUFACTURING FACILITY (IN BANDUNG IN WEST JAVA) WITH SOMETHING MORE MODERN. THE INDONESIANS HAVE ALREADY INVITED AND HAVE RECEIVED PROPOSALS FROM US, WEST GERMAN AND ITALIAN SUPPLIERS. THESE PROPOSALS INCLUDE FINANCING TERMS. IN ORDER TO RESPOND TO PANGGABEAN' S
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REQUEST, I RECOMMEND WE UNDERTAKE STUDY TO DETERMINE TECHNICAL AND FINANCIAL FEASIBILITY OF ESTABLISHING SMALL- ARMS MANUFACTURING FACILITY IN INDONESIA.

10. I REALIZE THAT THE ABOVE SUGGESTIONS INVOLVE A WIDE GAMUT OF POLICY CONSIDERATIONS AND THAT EASY ANSWERS ARE HARD TO COME BY. HOWEVER, I FEEL THAT TO PROTECT THE EXCELLENT RELATIONSHIP WE HAVE WITH THE GOI WE MUST GO TO THEM AT THE HIGHEST LEVEL TO EXPLAIN WHAT HAS HAPPENED TO MAP, AND THAT WE MUST SIMULTANEOUSLY INDICATE THAT WE ARE PREPARED TO DISCUSS WITH THEM SOME CONCRETE IDEAS AS TO HOW WE CAN ALLEVIATE THE SITUATION.

11. URGE SERIOUS CONSIDERATION OF RECOMMENDATIONS ABOVE. THEY HAVE COUNTRY TEAM SUPPORT.
GALBRAITH

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